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ACTION AF-18

INFO OCT-01 EUR-20 NEA-10 ADP-00 ER-11 OEP-01 INT-08 SS-14
NSC-10 L-03 PRS-01 COME-00 TRSE-00 CIEP-02 OPIC-12
CIAF-00 INR-09 NSAE-00 RSC-01 OMR-01 PM-08 H-02 RSR-01
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R 140830Z JAN 73
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9577
INFO AMEMBASSY BEIRUT
AMEMBASSY JUDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY PARIS

-----DEPARTMENT OF STATE 086417R
REVIEWED BY 9 DATE 11/20/82
RDSHOP YACOBIN, PALE
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DECLASSIFIED RECLASSIFIED
RELEASE IN PART
PA or FOI EXEMPT PL, A9

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DEPT PASS CAIRO

SUBJ: LARG/UASIS PARTICIPATION NEGOTIATIONS

REF: TRIPOLI 0024

SUMMARY: OASIS PARTNERS MET WITH PM JALLUD JAN 11
FOR OPENING ROUND OF PARTICIPATION TALKS. JALLUD
TARLED AGIP TYPE PROPOSAL CALLING FOR 50 PER CENT
PARTICIPATION, COMPENSATION AT NET BOOK VALUE AND
MARKETING OF CRUDE AT HALF WAY PRICE. ATMOSPHERE
OF TALKS WAS CORDIAL THROUGHOUT. COMPANY REPS HAVE
PROMISED TO RETURN FOR NEXT SESSION JAN 23 AFTER
REVIEW OF LARG PROPOSALS.

END SUMMARY.

1. FOLLOWING CANCELLATION OF SCHEDULED JAN 10
MEETING OASIS REPS MET WITH PM JALLUD, MINISTER OF
PETROLEUM MAHRUK AND TRANSLATOR AFTERNOON OF JAN 11.

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MASTIS AS OPERATING ENTITY REPRESENTED BY PRESIDENT SWAYLES, WITH HOLMES (SHELL), BISHOP AND DEVERIN (AMERADA), CHAFFER AND MERRILL (CONTINENTAL), AND KOCH (MARATHON) ALSO PRESENT. [REDACTED] GAVE ECON OFFICER FOLLOWING RUN DOWN OF SESSION JAN 12.

2. JALLUD BEGAN BY APOLOGIZING FOR EARLIER CANCELLATION BUT PLEADED UNEXPECTED ARRIVAL OF SADAT AS REASON. HE THEN MADE FOLLOWING POINTS: (A) HE HOPED THAT SAME FRUITFUL SPIRIT OF COOPERATION WOULD CHARACTERIZE PARTICIPATION TALKS AS HAD MARKED TALKS WITH COMPANIES IN THE PAST; (B) LARG POLICY IS NOT TO DISTURB COMPANIES BUT RATHER TO STRENGTHEN THEIR CONFIDENCE SO THAT THERE WILL BE LONG-TERM COOPERATION; (C) NEGOTIATIONS NEED NOT BE PROLONGED; (D) NEGOTIATIONS SHOULD NOT BE EFFECTED BY DEVELOPMENTS IN OTHER AREA; (E) LARG IS DIFFERENT FROM OTHER OIL PRODUCERS "IN EVERY WAY" POLITICALLY AND ECONOMICALLY (F) HE AWARE THAT IN OTHER AREAS COMPANIES NEGOTIATING AS A GROUP EVEN THOUGH SOME WERE NOT IMMEDIATELY AFFECTED; (G) LARG WOULD DEMAND JAN 1, 1973 AS RETROACTIVE DATE OF AGREEMENT REGARDLESS OF WHEN SIGNED.

3. JALLUD THEN SAID THAT KEY ELEMENTS OF PARTICIPATION AGREEMENT WOULD BE PERCENTAGE, COMPENSATION AND ITS MODE, AND DISPOSITION OF OIL. AMPLIFYING THESE PRINCIPLES HE ALLUDED TO AGREEMENT ALREADY INKED WITH AGIP (ENI) PROVIDING FOR 50 PERCENT PARTICIPATION, COMPENSATION AT NET BOOK VALUE PAID IN INSTALLMENTS WITH A 3.5 PER CENT INTEREST RATE, AND LARG OPTION TO TAKE CRUDE OR PUT IT TO COMPANIES AT HALF WAY PRICE.

4. JALLUD THEN INDULGED IN BRIEF BIT OF PHILOSOPHIZING SAYING THAT LARG'S REAL AIM IN SEEKING PARTICIPATION IS TO ACHIEVE PARTICIPATION OF THE LIBYAN PEOPLE IN DECISION-MAKING, ADMINISTRATION, AND TECHNICAL KNOW-HOW. INCREASING STATE REVENUES IS SECONDARY AIM.

5. SHAFER OF CONTINENTAL REPLIED FOR INDUSTRY GROUP TOUCHING ON FOLLOWING POINTS: (A) COMPANIES ACCEPT PRINCIPLE OF PARTICIPATION; (B) HE HOPED PARTICIPATION WILL BRING WITH IT A BETTER UNDERSTANDING BETWEEN LARG AND COMPANIES, AND ALSO SERVE TO IMPROVE INVESTMENT CLIMATE; (C) PARTICIPATION IS PACKAGE ARRANGEMENT AND IT IS DIFFICULT TO TREAT ITS VARIOUS

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ELEMENTS SEPARATELY: (D) COMPANIES HAVE NO DESIRE OR INTENTION TO PROLONG NEGOTIATIONS. PARTICIPATION IS, HOWEVER, COMPLEX ISSUE WHICH OTHERS HAVE REQUIRED MANY MONTHS OF DISCUSS: (E) CONTRARY TO JALLUD'S CONTENTION, ONE CANNOT IGNORE OTHER REGIONS: IF ONE IS TO INSURE THE COMPETITIVE QUALITY OF LIBYAN OIL: (F) JAN 1 RETROACTIVELY DATE IS "INTOLERABLE" BECAUSE COMPANIES WILL NOT BE ABLE TO RECOVER INCREASED COSTS ATTENDANT ON PARTICIPATION.

6. JALLUD REPLIED THAT JAN 1 DATE WAS A POLITICAL DECISION FROM WHICH HE COULD NOT RETREAT. THERE ISSUED DISCUSSION BETWEEN JALLUD, MARRUK AND SHAFTER WHICH RESULTED IN COMPANIES BEING UNSURE WHETHER DATE IS NEGOTIABLE OR NOT. JALLUD SEEMED TO INDICATE THAT SOME WAY COULD BE FOUND TO MAKE THE OVER-ALL DATE OF AGREEMENT JAN 1, BUT HOLD OFF FINANCIAL IMPACT UNTIL AFTER ACTUAL DATE OF SIGNING.

7. JALLUD CAUTIONED THAT HE KNEW COMPANIES WERE CONSULTING WITH ONE ANOTHER. SUCH AN INDUSTRY GROUPING WAS ACCEPTABLE, HE SAID, BUT IT SHOULD NOT LEAD COMPANIES TO A "LACK OF REALISM."

8. SHAFTER THEN ASKED FOR COPIES OF AGIP AGREEMENT WHICH JALLUD PROMISED TO PROVIDE. IT WAS ALSO AGREED THAT THE NEXT SESSION WOULD BE A WEEK AFTER 'ID AL-ADHA HOLIDAY OR JAN 23.

9. [REDACTED] ACCORDING TO COMPANY REPS PRESENT AT MEETING JALLUD LOOKED TIRED AND WAS APPARENTLY NOT WELL BRIEFED ON CERTAIN POINTS, BUT WAS MORE COURTEOUS THAN EVER BEFORE. B1

10. COMMENT: TONE AND CONTENT OF THIS FIRST SESSION WAS JUST ABOUT WHAT WE AND COMPANIES HAD EXPECTED AND INDEED HOPED FOR -- CALM, COURTEOUS, AND BUSINESS-LIKE, WITH AGIP AGREEMENT SERVING AS BASIS FOR LARG'S PROPOSALS. COMPANIES NOW HOWEVER WILL HAVE TO PULL LARG AWAY FROM AGIP TERMS AND CLOSER TO PERSIAN GULF AGREEMENTS. GIVEN LARG'S CONCEPTION OF ITS REVOLUTIONARY UNIQUENESS AND REQUIREMENTS THIS WILL BE DIFFICULT TASK WE THINK. GDS.
JOSTF

NOTE BY OCT: NOT PASS CATRO.

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